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Mr. Chuck Murray
925 Plum Street SE, Bldg. 4
PO Box 43173
Olympia, WA 98504-3173

December 29, 2012

RE: Snohomish County PUD's Energy Conservation Target for the 2012-2013 biennium

Dear Chuck,

In compliance with Initiative 937, the Energy Independence Act (Chapter 19.285 RCW), and the requirements of WAC 194-37-070, Snohomish County Public Utility District No. 1 (District) has assessed its ten-year conservation potential and established targets for 2012-2013. The conservation potential and targets are based on the District's 2011 Mid-Term Assessment of its 2010 Integrated Resource Plan. The 2010 Integrated Resource Plan and the 2011 Mid-Term Assessment can be found at the District's website at <http://www.snopud.com/PowerSupply/irp.ashx?p=1161>.

The District's 2011 Mid-Term Assessment and 2012-2013 Energy Conservation targets were described, explained and reviewed in a noticed public meeting by the Snohomish County PUD Board of Commissioners. Staff's recommendation for 2012-2013 conservation targets was subsequently reviewed at a second noticed public meeting of the Board of Commissioners and the 2012-2013 targets were adopted by the Board in Resolution No. 5570 on December 20, 2011. A copy of the resolution is attached.

Energy efficiency remains the District's preferred resource for meeting growing loads. The District continues its plans to pursue all energy efficiency measures that are both cost-effective and achievable. Since last filing energy conservation targets, key changes which impact the amount of conservation potential available have been incorporated in our assessment. Among the notable changes: The District's load forecast has been updated to reflect the slower economic recovery; Kimberly Clark no longer is a major industrial load of Snohomish PUD, reducing the amount of industrial potential available; and avoided costs have been revised to reflect updates to the District's most recent load forecast.

In establishing the 2012-2013 biennial conservation targets, the District uses the 'utility specific analysis' option. This method provides an up-to-date estimate of conservation potential based on the best available information and considers the unique characteristic of the District's service area. The District's biennial target for 2012-2013 is based on its Scenario 2 in the 2010 IRP. This scenario aligns most closely with current market conditions.

Consistent with the Initiative 937 rules, the utility's biennial target must be no less than the pro-rata share of the 10-year conservation potential. The 10-year conservation potential assessment (CPA) estimate developed under the 2011 Mid-Term Assessment for the period 2012-2021 uses the 2010 IRP

as its basis, and therefore reflects the actual savings achieved during the 2010-2011 biennium. The Mid-Term Assessment of the District's CPA extends beyond the 10-year period considered for this biennium. Figure 1 below shows annual savings potential for the 13-year period under the 2011 CPA; the 10-year period projected for the 2012-2013 biennium is highlighted.

Figure 1
Snohomish PUD's Annual Potential – Mid-Term Assessment
2010 through 2022 (aMW)

Year	Savings Potential (aMW)
2010	7.1
2011	7.2
2012	8.1
2013	8.9
2014	8.8
2015	8.4
2016	8.8
2017	9.1
2018	9.5
2019	9.7
2020	9.9
2021	9.9
2022	9.8
Total	115.1

Sum
91.1

Most of the District's conservation potential is discretionary, that is, it is available over a broad time horizon. Achievement above the identified potential in earlier years diminishes the remaining potential in later years. This is significant as the District achieved higher savings than the potential assessment assumed for the 2010-2011 period. This higher savings achievement was the result of accelerated program activity, driven in part by state, federal, and regional initiatives.

Figure 2
Achievements over the 2010-2011 Biennial Target (aMW at Busbar)

Year	Savings Potential	Actual Savings	Overachievement 2010-2011
2010	7.1	9.9	2.8
2011	7.2	9.7	2.5
			5.3

While the District cannot "carry over" its additional savings from one biennium to the next, it is important to reflect the actual achievement in describing the remaining 10-year potential and establishing conservation targets for the next biennium. Whereas the analysis identifies conservation potential of 91.1 aMW over the next 10 years, the accelerated achievements above the potential identified in the 2010-2011 biennium of the planning horizon is deducted to determine the District's net 10-year potential. Figure 3 below shows the calculation of net conservation potential, the pro-rata share of the conservation potential¹, the annualized busbar savings target, and the target adjusted to site-based savings.

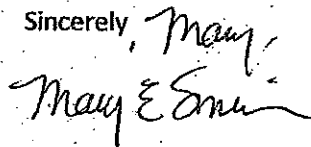
Figure 3
Initiative 937 Target Calculation for Snohomish PUD
Mid-Term Assessment (aMW)

10 Year Conservation Potential, 2012 - 2021	91.1 aMW
<i>Less 2010/2011 Overachievement</i>	<i>-5.3 aMW</i>
Net 10 Year Conservation Potential, 2012-2021	85.8 aMW
Pro-Rata Share (20% of 10-year potential)	17.2 aMW
Annual Target (Busbar)	8.6 aMW
Annual Target (Site-Based)	8.0 aMW

As a result of the revised analysis for the Mid-Term Assessment, the District set its biennium target for compliance with Initiative 937 for the 2012-2013 period at 17.2 aMW (busbar). The biennium target for 2012-2013 is recognized to be at the portfolio level in order to preserve the District's ability to capture market opportunities in any sector when and where they may become available.

The 2012-2013 biennial target as proposed is a robust and reasonable estimate of the conservation potential that the District can capture with a high degree of certainty over the next two years. The District anticipates it will be in full compliance with the requirements of I-937.

Sincerely,



Mary E. Smith
Senior Manager, Energy Efficiency Services
Snohomish County PUD District No. 1

¹ There has been considerable discussion on the interpretation of "pro-rata" in the law and Initiative 937 rules as it relates to the biennial target being no less than the 20% pro-rata share of the 10-year conservation potential. Staff has expressed that the District believes this interpretation conflicts with other provisions requiring consistency with the NPCC methods. The NPCC uses deployment rates that consider a ramping up of savings achievement over time, based on infrastructure development and technology availability. The NPCC updates the Regional Plan every 5 years and focuses on achievements of the prior 5 years.

RESOLUTION NO. 5570

A RESOLUTION Adopting Two-Year Conservation Targets for 2012 - 2013 and a Ten-Year Conservation Potential Estimate for the District to Comply with Requirements of the Energy Independence Act

WHEREAS, Initiative 937, also known as the Energy Independence Act, Chapter 19.285 RCW, requires that Public Utility District No. 1 of Snohomish County (the "District") every two years formally adopt by resolution two-year conservation targets and a ten-year conservation potential estimate, and submit them to the Washington State Department of Commerce on or before January 1, 2012; and

WHEREAS, at the Commission's public meeting on December 5, 2011, staff presented an analysis of the options for calculation of the ten-year conservation potential and two-year targets under the Mid-Term Assessment of the adopted 2010 Integrated Resource Plan, using the utility specific analysis consistent with the methodology utilized by the Northwest Power and Conservation Planning Council; and

WHEREAS, staff recommends adoption of a two-year conservation target for the 2012-2013 period of 17.2 average megawatts savings at the bus bar, or 8.6 average megawatts per year, and a ten-year conservation potential estimate for the 2012-2021 period of 85.8 average megawatts at the bus bar, based on the utility specific analysis performed for the Mid-Term Assessment, that updated and revised the results of the District's 2010 Integrated Resource Plan.

NOW, THEREFORE, BE IT RESOLVED by the Commission of Public Utility District No. 1 of Snohomish County, Washington, that a biennial conservation target of 17.2 average megawatts for the 2012-2013 period and a ten-year conservation potential

estimate of 85.8 average megawatts for the 2012-2021 period are hereby adopted for the District in order to comply with requirements of the Energy Independence Act.

PASSED AND APPROVED this 20th day of December, 2011.

David A. Christie

President

Kathleen Zang

Vice-President

Harry Olson

Secretary